



STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF FINANCIAL EXAMINATION

of

SELECTHEALTH BENEFIT ASSURANCE COMPANY, INC.

of

Murray, Utah

as of

December 31, 2021



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May 9, 2023

Honorable Jonathan T. Pike, Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, UT 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a multi-state examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

SELECTHEALTH BENEFIT ASSURANCE COMPANY, INC.
Murray, Utah

hereinafter referred to in this report as “the Company”, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

This full-scope examination of the Company was conducted by representatives of the Utah Insurance Department (Department) and covers the period of January 1, 2018, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204, and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings or recommendations for inclusion in this report.

COMPANY HISTORY

General

In 1975, the Church of Jesus Christ of Latter-day Saints transferred all assets and liabilities of its hospital system to a Board of Trustees, which in turn created Intermountain Health Care, Inc. (Intermountain), a nonprofit tax exempt 501(c)(3) charitable organization, to own and operate the hospital system.

Intermountain formed SelectHealth, Inc. (SelectHealth) on December 27, 1983, under the provisions of the Utah Nonprofit Corporation and Cooperative Association Act, for the purposes of developing and administering financial mechanisms for its network of health services. SelectHealth has been operated as a 501(c)(4) tax-exempt social welfare organization ever since. In 1992, SelectHealth formed a wholly owned for-profit life and health insurance company, SelectHealth Benefit Assurance Company, Inc.

Dividends and Capital Contributions

The Company did not declare or pay any dividends to the sole shareholder during the examination period. The Company did not receive any capital contributions during the examination period.

Mergers and Acquisitions

The Company was not involved in any direct mergers or acquisitions during the exam period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Company's bylaws indicate that the Board may have from four (4) to thirty (30) members. The following persons served as Directors of the Company as of December 31, 2021:

Name and Location	Principal Occupation
Michael Antony Anglin West Valley City, UT	Senior Pricing Analyst United Parcel Service
Karla Kay Bergeson Washington, UT	Retired Corporate Attorney
Josh Allen England Salt Lake City, UT	President C.R. England
Maria Rocio Summers Salt Lake City, UT	Founder and Consulting Principal RS International Business Consulting, LLC
Cydni Rogers Tetro Provo, UT	Chief Executive Officer Brandless
Andrea Poole Wolcott Salt Lake City, UT	Retired Banking Executive
Albert Rene' Zimmerli Sandy, UT	Executive V.P and Chief Financial Officer Intermountain Health Care, Inc.
Marti Ree Lolli Salt Lake City, UT	President and Chief Executive Officer SelectHealth, Inc. SelectHealth Benefit Assurance Company, Inc.
David Brett Sanford Highland, UT	Vice President and Corporate Controller CHG Healthcare Services, Inc.
Alexander Marc Harrison, MD Salt Lake City, UT	President and Chief Executive Officer Intermountain Health Care, Inc.
Maria Jean Garciaz Salt Lake City, UT	Executive Director NHS (NeighborWorks Salt Lake)
Daniel Gerald Gomez Sandy, UT	President Gomez Corp, Financial Advisors & Insurance
Mark Richard Briesacher, MD Salt Lake City, UT	Senior Vice President, Chief Physician Executive, Intermountain Medical Group

Officers

The following persons served as officers of the Company as of December 31, 2021:

Name	Title
Marti Lolli	President and Chief Executive Officer
Todd Trettin	Vice President and Chief Financial Officer
Kristin McCullagh	Secretary
Sean Dunroe	Vice President
Jon Griffith	Vice President
Russel Kuzel	Vice President
David Lemperle	Vice President
Jerry Edgington	Vice President

See SUBSEQUENT EVENTS section for changes to Directors and Officers.

Committees

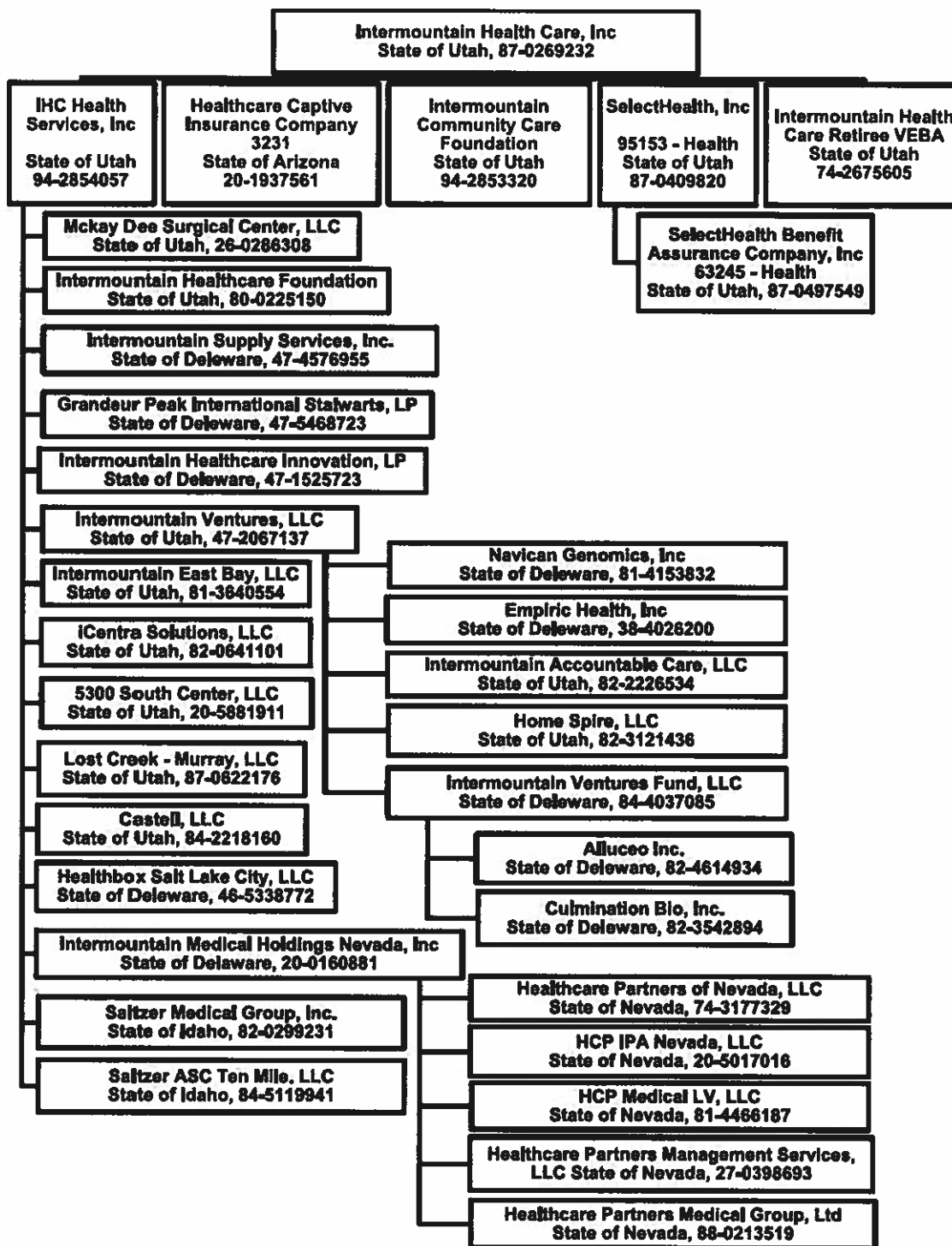
The Company's bylaws require that an Executive Committee and Quality Assurance Committee be formed. In addition to these two committees, the Company also had the following standing committees: Investment, Audit & Compliance, Finance, and Community Relations. The following persons served as committee members as of December 31, 2021:

Executive	Audit & Compliance	Finance
Daniel G. Gomez, Chair	D. Brett Sanford, Chair	Andrea P. Wolcott, Chair
Andrea P. Wolcott	Michael A. Anglin	Mark R. Briesacher, MD
Marti R. Lolli	Daniel G. Gomez	Daniel G. Gomez
Albert R. Zimmerli	Andrea P. Wolcott	Gregory M. Johnson
Kristen R. McCullagh	Todd D. Trettin	D. Brett Sanford
		Rocio Summers
		Todd D. Trettin

Investment	Quality Assurance	Community Relations
Albert R. Zimmerli, Chair	Michael A. Anglin, Chair	Karl K. Bergeson, Chair
Douglas C. Black	Maria J. Garciaz	Josh A. England
Spencer F. Eccles	Daniel G. Gomez	Maria J. Garciaz
Daniel G. Gomez	Cyndi R. Tetro	Daniel G. Gomez
A. Marc Harrison, MD	Mike Woodruff, MD	Rocio Summers
Steve D. Huebner	Cara Camiolo Reddy, MD	Lisa Nichols
Roy S. Jespersen	Russel J. Kuzel, MD	Ann Riedesel
Kent Misener		David A. Lemperle
Matthew C. Packard		
Steven Thorley		
Todd D. Trettin		

Holding Company

The Company is part of a holding company as defined in Utah Code §31A-16. The Company is wholly owned and controlled by SelectHealth. The following Organizational chart depicts the holding company as of December 31, 2021:



Transactions and Agreements with Affiliates

The Company was a party to the following affiliated agreements as of December 31, 2021:

1. SelectHealth is committed to providing the Company with loan guarantees or financing sufficient to enable the Company to meet all its financial obligations and commitments.
2. The Company is a party to a Management Services Agreement with SelectHealth in which SelectHealth provides operational and management services. The agreement was non-disapproved by the Department in January 2014.
3. The Company is a party to a Dental Participating Provider Services Agreement with IHC Health Services, dba Primary Children Hospital Dental Clinic (Dental Clinic), in which Dental Clinic contracts, on behalf of its dentists, as a network participating provider. The agreement was non-disapproved by the Department in October 2015.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company was licensed and authorized to conduct life, accident and health insurance business in the states of Idaho, Nevada and Utah, with the majority of the premiums written in Utah.

The Company offers products outside of SelectHealth's primary markets which includes short-term individual plans of six (6) months or less, stop-loss insurance to SelectHealth's self-insured groups and non-comprehensive medical care.

REINSURANCE

Assumed

The Company had an assumed a 100% quota share reinsurance treaty in place from January 1, 2015, to December 31, 2021, with National Health Insurance Company (National), in which the Company covered 100% of National loss.

Year	Reinsurance Assumed
12/31/2021	\$11,538,000
12/31/2020	\$32,301,000
12/31/2019	\$26,755,000
12/31/2018	\$24,916,000

Ceded

HM Life Insurance Company (HM Life)

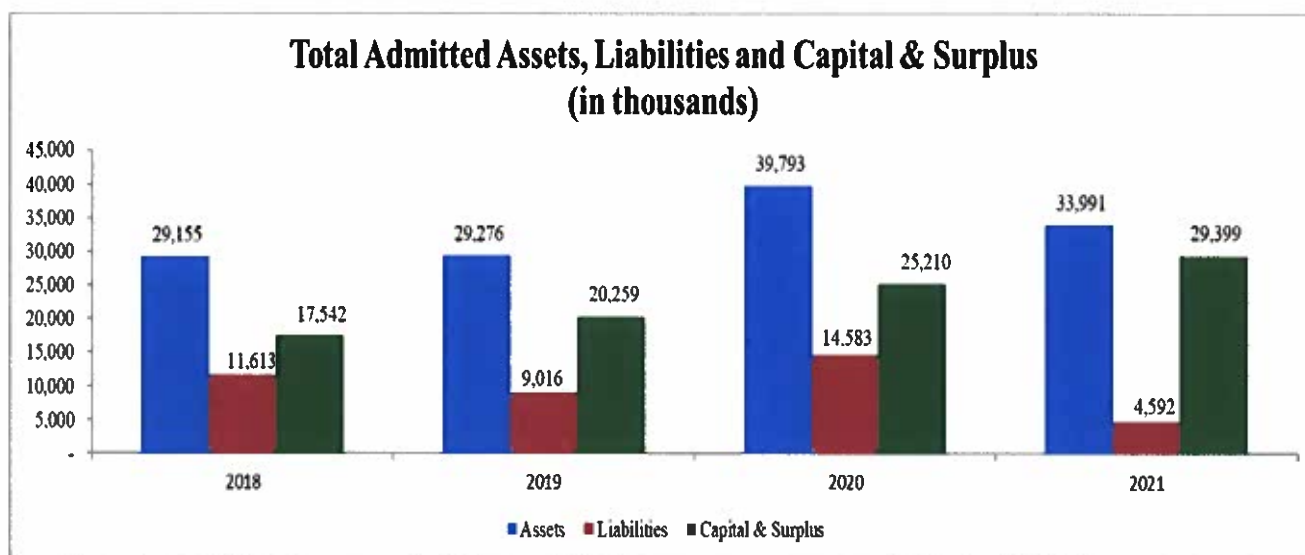
The Company had an excess of loss reinsurance agreement with HM Life effective until June 30, 2020, that was not renewed. The initial retention was \$2,000,000 per member, \$2,600,000 with no maximum for Commercial members and \$3,500,000 retention for Medicaid members.

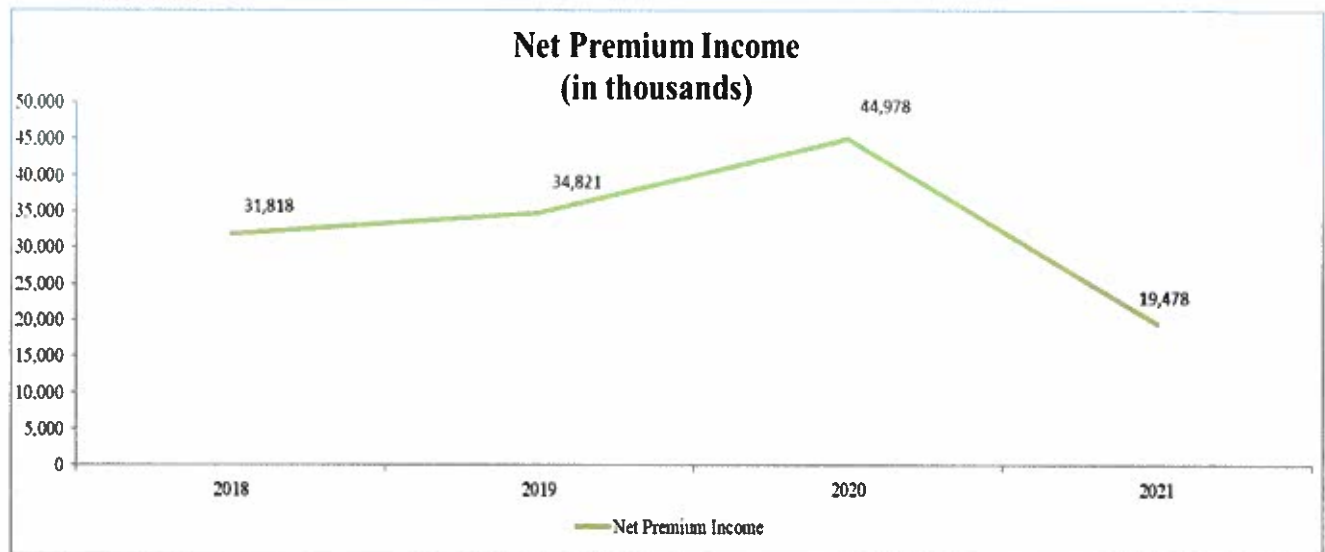
Zurich American Insurance Company (Zurich)

The Company has an excess of loss reinsurance agreement in place with Zurich effective July 1, 2020, with the initial retention of \$2,000,000 of losses incurred per member. The reinsurer assumes 90% of the risk for claims exceeding retention with no maximum.

GROWTH OF COMPANY

For the majority of the examination period, the Company's financial status remains stable. However, net premium income decreased at about 43% in 2021, and 46% in 2022, due to the termination of the assumed reinsurance arrangement with National.





FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any), reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

SELECTHEALTH BENEFIT ASSURANCE COMPANY, INC.
BALANCE SHEET

as of December 31, 2021

ASSETS

	Net Admitted Assets
Bonds	\$ 30,069,712
Cash and cash equivalents	3,325,556
Other invested assets	183,227
Investment income due and accrued	162,074
Current federal and foreign income tax recoverable and interest thereon	247,173
Net deferred tax asset	3,000
Total assets	<u>\$ 33,990,742</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

	Current Year
Claims unpaid	\$ 3,211,120
Unpaid claims adjustment expenses	9,000
General expenses due or accrued	224,243
Amounts due to parent, subsidiaries and affiliates	764,681
Payable for securities	382,909
Total liabilities	<u>4,591,953</u>
Common capital stock	1,000,125
Gross paid in and contributed surplus	1,250,000
Unassigned funds (surplus)	27,148,664
Total capital and surplus	<u>29,398,789</u>
Total liabilities, capital and surplus	<u>\$ 33,990,742</u>

SELECTHEALTH BENEFIT ASSURANCE COMPANY, INC.
STATEMENT OF REVENUE AND EXPENSES

for the Year Ended December 31, 2021

	<u>Current Year</u>
Member months	14,998
Net premium income	\$ 19,477,742
Change in unearned premium reserves and reserves for rate credits	704,150
Aggregate write-ins for other health care related revenues	<u>4,198</u>
Total revenues	20,186,090
Hospital and Medical	
Hospital/medical benefits	795,106
Other professional services	196,104
Emergency room and out-of-area	293,515
Aggregate write-ins for other hospital and medical	<u>2,618,783</u>
Subtotal	3,903,508
Less:	
Net reinsurance recoveries	<u>(10,400,890)</u>
Total hospital and medical	14,304,398
Claims adjustment expenses, including cost containment expenses	237,256
General administrative expenses	<u>2,093,175</u>
Total underwriting deductions	\$ 16,634,829
Net underwriting gain or (loss)	<u>\$ 3,551,261</u>
Net investment income earned	535,785
Net realized capital gains (losses)	<u>142,549</u>
Net investment gains (losses)	\$ 678,334
Net income or (loss) after capital gains, before federal income taxes	<u>4,229,595</u>
Federal and foreign income taxes incurred	<u>868,450</u>
Net income (loss)	<u>\$ 3,361,145</u>

SELECTHEALTH BENEFIT ASSURANCE COMPANY, INC.
RECONCILIATION OF CAPITAL AND SURPLUS

2018 through 2021

	2018	2019	2020	2021
Capital and surplus, December 31, prior year	\$ 17,059,146	\$ 17,541,563	\$ 20,259,267	\$ 25,210,395
Net income or (loss)	1,303,357	2,609,537	4,944,937	3,361,145
Change in net unrealized capital gains (losses)	0	(9)	(19)	(385)
Change in net deferred income tax	(1,000)	9,000	3,000	(20,000)
Change in non-admitted assets	(819,940)	99,176	3,210	847,634
Net change in capital & surplus	482,417	2,717,704	4,951,128	4,188,394
Capital and surplus, December 31, current year	\$ 17,541,563	\$ 20,259,267	\$ 25,210,395	\$ 29,398,789

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to capital & surplus as of December 31, 2021, as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

There are no comments on financial statement items as of December 31, 2021, as a result of this examination.

SUBSEQUENT EVENTS

The following events occurred subsequent to the examination period:

1. Officers: In 2022, Martie Rae Lolli resigned as President and CEO. Robert Todd Hitchcock became interim President and CEO until his formal appointment on February 15, 2023. In addition, Heather Kay O'Toole was appointed as Vice President. Russel John Kuzel and David Alvin Lemperle resigned from their positions as Vice President.

2. Directors:

a. The following Directors were appointed in 2022: Robert Wayne Allen, Lydia Wales Jumonville, James Patrick Valin, MD., Daneece Glenn Huftalin, Elizabeth Rowena Dorris Owens, Robert Todd Hitchcock, and Katherine Elizabeth Sanderson.

b. The following Directors resigned during 2022: Alexander Marc Harrison, MD., Maria Jean Garciaz, Marti Rae Lolli, Mark Richard Briesacher, MD., and Daniel Gerald Gomez.

ACKNOWLEDGEMENT

Margaret Hermann, FSA, MAAA, of INS Regulatory Insurance Services Inc., performed the actuarial review of the examination. Michael Nadeau, CISA, CFE, AES, CPA, IT Senior Manager at Eide Bailly, LLP, performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Examiner, of the Utah Insurance Department, supervised the examination. In addition, Alan Monsen, MSF, APIR, Financial Examiner, and Liliana Contreras, Financial Examiner, of the Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the examination by officers and representatives of the Organization.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'SE', is positioned below the text 'Respectfully submitted,'.

Scott Eady, CPA, CFE
Exam360, representing Utah Insurance Department